

## FOREIGN TRADE AND ECONOMIC INTERESTS IN ARGENTINA, 1810-1850

John Lynch

The opening of Buenos Aires to international trade was traditionally considered one of the great gains of independence. The entry of foreign shipping, entrepreneurs and manufactured goods, and the export of estancia products direct to the markets of the world were assumed to constitute a new stage in the history of Argentina, the precursor of the country's incorporation into the world economy. Modern historiography has cast some doubts on these conclusions. It has been pointed out that the market and the trade of the Río de la Plata were small in dimension and the prospects of growth severely limited. "Slow turnover, poor communications, high tariffs and commissions," all made foreign merchants hesitate before investing capital in Argentine trade (Platt 1972: 23-38, 55). Others have argued that *comercio libre* simply led to the substitution of one metropolis by another, and that dependence on Spain was replaced by dependence on Great Britain.

The truth appears to lie elsewhere. While Argentina may have been on the periphery of British interests in the period 1810-1850, this does not mean that British trade was unimportant or ineffective in Argentina. From the standpoint of Argentina, British trade occupied the centre of its economic world. Foreign trade in general, and British trade in particular, produced specific changes in the Argentine economy, namely estancia expansion, commercial growth, and industrial stagnation. Yet it would be a mistake to interpret this in terms of dependency. Argentina relied upon British manufacturers, British shipping, British markets, but it did not yet need — could not yet use — British banking and technology, it made its own economic decisions, and it was by no means a dependency of Britain.

In the aftermath of independence it was the large estancia which created wealth and conferred status. But this did not happen immediately. The economy of Buenos Aires as it emerged from the colonial regime was dominated by commerce not land. The merchants of the port made their profits not by exporting the products of the country but by importing

manufactured goods for a consumer market stretching from Buenos Aires to Potosí, in exchange for precious metals which at the time of independence accounted for 80 per cent of total exports from Buenos Aires. Until about 1815-20 the landed sector was limited, both in the number of title-holders and in the extent of their holdings.

The colonial legacy was altered by two developments. First, the merchants of Buenos Aires were squeezed out by the British. With their superior capital resources and contacts in Europe, the British took over the entrepreneurial function previously exercised by the Spaniards and forced the porteños to seek alternative investments. Unable to compete in a British-dominated commerce, local entrepreneurs found outlets in another expanding sector, livestock farming. Secondly, the trade of Buenos Aires with the interior had depended upon the latter's ability to earn from the sale of its products, especially from its agrarian activities and its artisan industries. But increasing British penetration provided severe competition for these industries, at a time when war and secession was also removing traditional markets in Chile and Upper Peru.

The combination of British competition and decline of the interior rendered the Buenos Aires economy incapable of sustaining the local merchant elite, who began therefore to seek other outlets for their capital. The principal outlet was pasture farming, which began to expand at the expense of arable farming, to such an extent that the province soon came to depend on imported grain. In the 1820s a livestock estancia yielded returns of 31.4 per cent on investment, compared to the 25 per cent return on arable farming (Barba 1967). Investment in land, cattle and *saladeros* was aided by the agrarian policy of the government. From 1822 Bernardino Rivadavia supported the system of emphyteusis, authorising public land to be rented out for twenty years at fixed rentals. This simultaneously put land to productive use, including new land in the south and south-west of the province, and satisfied the land hunger of the dominant groups. But emphyteusis favoured latifundism and land concentration. A small group of men became lords of the whole province. There was no limit to the area a proprietor might rent, and the land commissions which administered distribution were dominated by landowners. From 1824 to 1827 a number of huge individual grants were made, over 6 1/2 million acres to 112 people and companies, of whom ten received more than 130,000 acres each. By the 1830s some 21 million acres of public land had been transferred to 500 individuals. Some individuals received grants of over 65,000 acres each.

As the cattle industry grew in importance, as livestock property acquired

a new value, so the estancieros began to desire freehold property without time limit, conditions, or rent. Juan Manuel de Rosas, governor of Buenos Aires from 1829, abandoned emphyteusis and sold land in freehold. The law of 10 May 1836 authorised the sale of 1,500 square leagues of emphyteusis land and unoccupied land. The actual occupants of emphyteusis land could buy their holdings, and they were encouraged to do so by a further law of 16 January 1838 which ordered the sale of emphyteusis lands where the rent had not been paid, and the law of 25 August 1838 which ordered the doubling of the rent. There was no rush to buy land; the French blockade of 1838 depressed commercial agriculture by closing export outlets, and in default of purchasers the government decided to give land away. Rosas himself was one of the principal beneficiaries of this bountiful policy, and he and his officers were lavishly rewarded after the Desert Campaign of 1833, as were the military who took part in crushing the Rebellion of the South in 1839. In 1830 the province of Buenos Aires had 5,516 square leagues of occupied land, and this was held by 980 people; of these 60 people held almost 4,000 square leagues, or 76 per cent of the whole. By 1851 the structure had not basically changed: 6,100 square leagues were occupied by 782 people, of whom 382 monopolised 82 per cent of all property over one square league (Carretero 1972: 13-14).

Estancia expansion was a response to the opportunities offered by international trade. But this was not the only factor. The new economy also reflected the preferences and decisions of social interests. The hacendados of Buenos Aires did not acquire these great estates as mere status symbols, for the sake of size alone, or to leave them vacant. They bought land in order to export. The most successful landowners were men of urban origin with powerful business instincts. The estancias of the Rosas-Anchorena group were all situated in well-watered zones, carefully chosen for productivity and accessibility to export routes; and they were models of industry and yield, producing up to the very limit of their holdings. Among the various merchants who invested urban fortunes in land the Anchorena were supreme, extending their estancias as a commercial investment, and participating at each stage of production from the pampas to the port.

The first model of growth was that of Rivadavia. He wanted to modernize Argentina, seeking development through free trade, foreign investment, and immigration. In addition to renting out state land in order to put the natural resources of Argentina to productive use, he also invited British entrepreneurs to invest in mining, though the results were nega-

tive. The government authorised a private company composed largely of British merchants to establish the Bank of Discount of the province of Buenos Aires (20 June 1822), with a projected capital of 1 million dollars. A loan of £1 million was negotiated by the House of Baring in 1824. Rivadavia had a vision of liberal institutions and a new infrastructure, a great and unified Argentina, ruled from Buenos Aires and undivided by political and economic particularism. But his innovations threatened the interests of the *estancieros*. The federalisation of the city of Buenos Aires and its environs amputated the best part of the province and a large section of the population. It also involved nationalising the revenues of the port, which amounted to 75 per cent of the provincial government's income, arousing the fear that the next step would be to raise alternative revenue by an income or land tax. To the world of the landowners, for whom Buenos Aires and its hinterland, port and province, were one, these measures threatened division and disaster. The *estancieros* saw Rivadavia as a danger to their economic and fiscal assets; immigration they opposed as expensive, unnecessary and probably subversive, bringing competition for land and labour and raising the cost of both. They resisted these plans and forced their author to resign in June 1827.

A new economic interest thus came to power, the *estancieros*, replacing the classic elite of the revolution of 1810, the politicians, the bureaucrats and the military, and representing a more primitive and more specialised economy — cattle production for export of hides and salt meat — but one which brought immediate returns and was in harmony with the country's traditions. For the next twenty-five years these men ruled the country and gave it political stability which was the framework of economic growth. As the former British consul observed of Rosas and Anchorena, "they have as individuals immense interests and property, depending upon a continuance of domestic peace, which they have been able to preserve since they came into power".<sup>1</sup>

By the 1840s the great grassy plains of Buenos Aires were divided into well-stocked *estancias* and supported some 3 million head of cattle, the basic wealth of port and province, and the sustenance of the export economy. They were animals of inferior quality, fed by the natural grasses of the pampas, raised in the open range under the care of one herdsman for at least 3,000 head; but they were capable of producing two saleable products, hides and salted meat.

The *estancia* had to sell its products in Buenos Aires and beyond. The

1 Parish to Bowles, Feb. 14, 1839, PRO, FO 354/9, Woodbine Parish Papers.

principal outlet was the *saladero*, a large establishment where beasts were slaughtered, tallow extracted, flesh salted and dried, and hides prepared for export. The first *saladero* in Buenos Aires began operations in 1810, and after some interruption they became firmly established from 1819. By 1820 there were about twenty *saladeros* in the province, though their output was relatively low, under one hundred animals a day in a single *saladero*. By the 1840s, however, while the number of *saladeros* in and about Buenos Aires was still about twenty, their output had grown enormously and each slaughtered some 200 to 400 animals a day during the season, a much greater consumption than the *mataderos*, which slaughtered cattle for the domestic meat market. Jerked beef was flesh cut in strips, pickled, salted and dried in the sun. It was unacceptable to most palates but was exported to Brazil and Cuba for feeding to the slaves. The hides were steeped in brine, laid out in salt and then stretched out to dry, the stretching being varied according to the thickness or fineness required. Although the principal tool in the *saladero* was the gaucho's knife, steam power had been introduced for producing tallow. Cattle was always paid for in cash. In the 1840s the price was about three pesos each, if delivered to the *saladero*. According to an English businessman, "The cost of an establishment capable of slaughtering a thousand head per week, is about two thousand pounds; although several have cost their owners much more: the steaming apparatus alone will require about one thousand pounds" (McCann 1853, I: 215). To establish a *saladero*, therefore, required a large investment of capital; overheads were heavy and the plant needed good management if it was to yield a profit and withstand competition from other provinces. Most *saladeros* belonged to associations rather than individuals and many foreigners had capital in the industry.

The *saladeros*, therefore, were an integral part of the estancia world and as such they were favoured by the government, even when they were offensive to public health and a menace to the environment. In his annual Message of 1849 Rosas reminded the House of Representatives that "these great establishments deserve the protection of the government, because they are factories which are vital to the national wealth" (*Mensajes Buenos Aires* 1976, II: 271). In fact they were easily the largest industry of Buenos Aires, by reason of the number of people they employed and the capital invested in them. The "protection" of which Rosas spoke consisted of virtual exemption from taxes. In 1852, out of a total revenue of 45,195,332 pesos raised by the provincial government, only 100,000 pesos came from taxes on the *saladeros*. And the customs law of 1835 exempted from export tax all jerked beef shipped in national vessels. Financed and

managed by experts, supplied by the estancias, favoured by the government, the *saladeros* increased their output. The export of jerked beef from Buenos Aires rose from 113,404 quintals (1,462,042 pesos) in 1835, to 198,046 quintals (2,915,796 pesos) in 1841, a good year after the blockade, to 431,873 quintals in 1861 (Nicolau 1970).

Buenos Aires lived by foreign trade, and its expanding estancias depended on foreign markets (see Table 1). In the early years after independence there was a sizeable trade gap, as exports of precious metals fell

Table 1  
Average Annual Exports from Buenos Aires 1810-1855, Selected Commodities

	1810s	1820s	1830s	1840s	1850s
Cattle hides, nos.	574,460	624,101	798,564	2,303,910	1,762,356
Horse hides, nos.	144,898	206,880	31,903	163,022	158,220
Salted meat, tons	1,082	1,648	10,846	23,203	20,955
Tallow, tons	1,420	416	2,278	10,462	8,516
Wool, tons	163	277	2,309	6,752	11,091

Sources: Humphreys (1940); Parish (1852); Brown (1979).

and imports of consumer goods rose, and it took two decades for livestock exports to redress the balance. In 1829 and 1832 there was still a large excess of imports over exports, and the differences had to be met by exporting specie. The result was shortage of currency at home and its replacement by ever larger issues of paper money. The medium of international trade were letters of credit drawn on the London exchange, and British merchants came to dominate the financial market of Buenos Aires. The essential link was the trade in textiles from Britain against hides from Argentina, a trade which underwent steady though not brilliant growth, except during the years of blockade, in 1838-40 and 1845-47, when it suffered a sharp drop. According to the former British consul, Woodbine Parish, from 1822 to 1837 exports from Buenos Aires rose in value from about £700,000 to £1 million; from 1837 to 1851 they doubled in value to £2 million a year (Parish 1852: 353-356, 361).

Hides formed the bulk of these exports. There was an average annual export of 798,564 cattle hides from Buenos Aires in the 1830s; 2,303,910 in the 1840s. In 1836 hides amounted to 68.4 per cent of the total value of exports from Buenos Aires; in 1851 they amounted to 64.9 per cent. If jerked beef and other cattle products are added to hides, the livestock industry contributed 82.8 per cent of total exports in 1836, 78 per cent in

1851. The basic cause of export growth was the incorporation of more land into the economy, especially the expansion of the southern frontier after the Desert Campaign of 1833; the province of Buenos Aires now produced about two-thirds of all hides exported from the littoral provinces. A secondary cause were the foreign blockades imposed on Buenos Aires, which served to divert idle commercial capital into land and helped to increase the cattle stock by temporarily stopping shipment of hides, thus leaving the cattle to multiply in the pampas for future use.

Table 2  
Argentine Imports in 1825 by Country of Origin

Country	Pesos Fuertes	Percentage
Great Britain	4,000,000	51.11
France	550,000	7.03
Northern Europe	425,000	5.43
Gibraltar, Spain and Medit.	575,000	7.35
United States	900,000	11.50
Brazil	950,000	12.14
Havana and other countries	425,000	5.43
Total	7,825,000	99.99

Source: Parish (1852).

Meanwhile imports into Buenos Aires rose from a total of £1.5 million in 1825 (see Table 2) to £2.1 million in 1850, an increase which was probably even greater in quantity than in value, owing to the falling price of manufactured goods in Europe. The growing imports reflected the increasing affluence and rising expectations of a consumer society, which even reached into the popular sectors. When foreigners arrived in Buenos Aires in the early 1820s, they were struck by the primitive furnishings and the scarcity of consumer goods in the houses of the city. But in the course of the next few decades there was a revolution in taste, fashion and habits, with the influx of European furniture, French wallpaper, English grates. This was the beginning of conspicuous expenditure among wealthy porteños. There was very little saving or capital accumulation. Imports of luxury and consumer goods used up any surplus capital which might otherwise have been invested. Pianos, clocks, jewelry and precious stones comprised 10 per cent of imports. Consumer goods of a luxury kind (furniture and hardware, clothes and shoes) for the quality market amounted to 32 per cent. Thus almost half of the imports were manufactured goods for the upper end of the market. Industrial raw materials

such as coal, iron and other metals accounted for only 3 per cent of imports, an indication of the small degree of industrialisation, the absence of technology, and the low level of artisan employment.

Shipping was a further indicator of the growth of foreign trade. In the 1820s an average of 288 foreign ships a year called at Buenos Aires; in the 1850s the number had grown to 674. British shippers led the race to the Río de la Plata after independence, and in the 1810s they carried 60 per cent of the trade in and out of Buenos Aires. By mid-century, with competition growing, British shipping in Buenos Aires was 25 per cent of the total. Most of the trade went to Britain (322 vessels and 22.8 per cent of tonnage in 1849-51) and the United States (253 vessels and 21.6 per cent of tonnage), though this still left a substantial portion of trade (33 per cent) to less developed countries, Cuba, Brazil, Italy and Spain (Nicolau 1973: 359-361).

British merchants dominated the trade of the Río de la Plata in the first two decades after independence, and they had a balance of trade in their favour, which Argentina had to bridge by exporting specie. The right goods, at competitive prices, these were the key to the British success and gave them control of the mass market, especially in cotton textiles. Every stage of factory expansion, every improvement in machinery, every lowering of production costs, consolidated the British hold of the market. Cotton goods accounted for half of all British exports to the Río de la Plata; the rest included woollen, linen and silk manufactures, ironmongery and cutlery, hardware, coarse and fine earthenware, glass and coal. The value of British trade to Argentina did not rise spectacularly in the first half of the nineteenth century. The average annual exports in the period 1822-25 were between £700,000 and £800,000 sterling. In 1850 the value of British exports to Argentina was still about £900,000. In between the trade suffered various vicissitudes, not all of them of Argentina's making.

In 1845-47 the British in a sense blockaded themselves. This was a temporary aberration. The longer failure to maintain their share of trade expansion was due in part to the loss of an early monopoly as others competed for a place; nevertheless, up to 1837 the value of British trade to the River Plate exceeded that of all other foreign countries put together; and even in 1850 it was not far short of this (Parish 1852: 363). No doubt the balance in favour of British trade was diminishing as the British market consumed more of Argentina's raw materials, but the claim that by mid-century Argentina had a trade surplus lacks substantial evidence and remains unproven (Brown 1979: 82-84).



Table 3  
Declared Value of British Exports to the River Plate 1831-1850

Year	£	Year	£
1831	339,870	1841	989,362
1832	660,152	1842	969,791
1833	515,362	1843	700,416
1834	831,564	1844	785,564
1835	658,525	1845	592,279
1836	697,334	1846	187,481
1837	696,104	1847	490,504
1838	680,345	1848	606,953
1839	710,524	1849	1,399,575
1840	614,047	1850	909,280

Source: Parish (1852: 369).

There were fifty-five British mercantile houses in Buenos Aires in 1818, but the number had fallen a decade later (Humphreys 1940: 76). Blondel's directory of Buenos Aires for 1829 listed thirty-eight British firms, amounting to 33 per cent of total houses; the other British establishments comprised eighteen grocers' shops, four hotels, nine cabinet-makers, three upholsterers, three blacksmiths, and fifty other retailers, artisans and professions (Mulhall 1878: 331). Many of the British houses were eliminated by blockade and liquidation, as well as by competition from other nations and from native entrepreneurs; in 1854 they still numbered thirty-seven, though were now only 23 per cent of the total (Reber 1979: 56-57). The French trade to the River Plate was next in importance to the British; it more than quadrupled between 1825 and 1850, from £110,000 to £500,000, and consisted of silks, woollens, cottons and wines. French immigration, particularly from the Basque provinces, helped to increase the artisan population of Buenos Aires and also to stimulate demand for French products. The United States trade to the River Plate, one of the chief articles of which was flour to a cattle-dominated economy, suffered a normal balance of trade deficit; in 1849-50 the annual average of exports was \$ 916,118, imports \$ 2,181,852 (Parish 1852: 365, 367-368). Whoever they were, foreign merchants were involved almost exclusively in wholesale trade, in importing and exporting, and this they dominated. The retail trade in port and province, on the other hand, was the domain of the Argentines themselves, as was the preparation of local produce for export (Parish 1852: 120). Creoles were to be found in coastal and river shipping, in the freight trade from the interior,

in collecting cattle and pastoral products from estancias and delivering them to Buenos Aires, in the ownership of *saladeros* and warehouses. While there was considerable import of foreign goods and some import of foreign labour, there was as yet relatively little import of foreign capital into Buenos Aires, and in this period the export of profits was not an issue. The unitarian regime of the 1820s had sought to attract foreign investment in mining and other sectors of the economy, but the results were meagre. In 1824 the House of Baring made the government a loan of £1,000,000 on Argentine securities; this money was not invested in economic growth but expended on the war with Brazil. The smallness of export surpluses, the reluctance of the government to impose income or property taxes, and the heavy expenditure on war, combined to leave the government little financial margin. Rosas sought to make ends meet by revenue from customs and by curtailing non-military expenditure, and foreign creditors were not a high priority. "That Rosas never altered his financial policies in order to meet the claims of foreign creditors is due in part to the unwillingness of the British Government to apply any pressure on behalf of the bondholders" (Ferns 1960: 220). The annual charges arising out of the loan were £65,000. Payment had been in default since 1828: Buenos Aires did not have the revenue to renew it, and the British government did not press, leaving the bondholders to fend for themselves through the agency of the Barings. In December 1831, Manuel Moreno, the Argentine minister in London, received a representation from twenty *bonoleros*, as Rosas called them, which he forwarded to Buenos Aires, but there was no money to spare. In 1842, to improve relations with Britain, Rosas showed a willingness to renew servicing the loan, and Francis Falconnet, an agent of the Barings, went to Buenos Aires to conduct negotiations. The result was that Buenos Aires undertook to pay Barings £1,000 a month from May 1844 (*Archivo Americano*, no. 14, Buenos Aires, Aug. 31, 1844). But payments were suspended in 1845 and not resumed until 1849.

Buenos Aires pursued a relatively free trade policy towards the outside world and offered order and security to foreign merchants. The principle obstacles to trade were created by the foreigners themselves, or rather by their governments. The French blockade of 1838 stifled the exports of the port and reduced imports, causing great inflation and much unemployment in the capital. It was also a contributory cause of the rebellion of the southern estancieros in 1839. The Anglo-French blockade of 1845 was hardly more effective. The object was to sustain Uruguay, to secure free navigation, and perhaps to destroy Rosas. But it was a slow and

clumsy weapon, which hit trade rather than the enemy. Rosas justly said of blockades, "while they may annoy our countries, they do not deprive us of our principal resources, nor do they succeed in reducing our power" (Irazusta 1953-61, V: 7-8). Blockades hurt the foreigners rather than the natives. Its primitive economy made Argentina invulnerable to outside pressure. It could always revert to a subsistence economy, waiting for pent-up trade to revive while its cattle resources accumulated. In any case, the blockade was not absolute. There was a connived trade across the River Plate; merchants favoured by both sides were allowed to trade clandestinely, and an active blockade-running was carried on between Buenos Aires and Montevideo by small craft sailing at night under the noses of the patrolling squadron.

Theoretically, the blockades should have enabled local industry to recover the market which it had previously lost to foreign competition; in fact prices of manufactured goods simply rose and consumers suffered severe shortages. Yet there was a vociferous protectionist sector in Buenos Aires.

The state favoured cattle-breeders at the expense of small farmers, and Buenos Aires depended ultimately on grain imported from the United States and South Africa. Agriculture was subject to particular obstacles and required special treatment. Labour was scarce and expensive, methods were primitive, and yield was low. The high cost of transport forced farmers to move nearer the city, where land prices were higher. In the vicinity of the capital there were a number of chacras and market gardens, producing grain, maize and vegetables for the urban market. But they suffered always from competition from foreign grain. Agriculture, therefore, needed capital and protection. At this point, governments hesitated, fearful of causing dearer food and losing popular support. From independence to 1835 a low tariff policy prevailed, in favour of consumer and export interests, and in spite of farmers' complaints.

Farmers were not the only critics of free trade. The littoral and interior provinces demanded protection for native industries against more cheaply produced foreign goods, and called also for the opening of other ports than Buenos Aires to direct foreign trade. But Buenos Aires refused to change its policy or to relinquish its control of river navigation. It also refused to give protection to the "industries of the interior", the wine and textiles of the western provinces, which it considered marginal activities and not worth protecting. There was some justification for this view. But the demand for protection came not only from farmers and provinces; there were also porteño protectionists.

Buenos Aires contained a number of urban artisans, owners or employees of workshops, makers of manufactured goods for the local market. Their number should not be exaggerated. Buenos Aires was in many respects an extension of the estancia and housed a "ruralised" population. The suburbs contained farmers and agricultural labourers. The *saladeros* and *mataderos* employed an essentially rural worker. In addition there was a large population of peons, carters, *vagos y mal entretenidos*, and other marginal types, who were directly or indirectly subject to, or sought by, the rural proprietors, themselves frequently city dwellers and involved in commerce. In 1856 18,000 porteños were registered as *peones de campo* and more than 2,000 as *vagos*, though the real number of the latter was probably much higher (Gori 1965: 32). While Buenos Aires was thus a rural rather than an urban society, it still contained the traditional artisan industries, whose owners and workers were an integral part of the urban structure. Numerous urban workshops manufacturing clothing, uniforms, shoes, hats, swords and silverware were scattered about the capital. Quality of product was usually low, the market limited, and technology primitive, but they survived. In 1831 Buenos Aires contained 94 leather workshops, 83 carpenters' workshops, 47 iron forges, 42 silversmiths. The military policy of Rosas had the firm support of this group, for it was war which kept many of these industries at work, through demands for uniforms, equipment and hardware. The urban artisans were numerous enough, therefore, to carry some political weight and, without constituting a major pressure group, to merit consideration.

Economic nationalism had not yet developed in Buenos Aires; rather, different sectors sought privileges or protection for themselves. Estancieros wanted cheap imports and good export opportunities and therefore favoured free trade. But the foreign, and particularly the British, penetration of Buenos Aires was bitterly opposed by others who argued that it amounted to outside control of commerce, competed with local industry, put people out of work, and prevented the growth of a national merchant marine. To promote national manufactures some local entrepreneurs proposed a fiscal policy ranging from high duties to outright prohibition, a view seconded by the artisans of Buenos Aires who throughout the 1820s continued to press for state intervention, demanding free import of raw materials needed for manufacture and the protection of goods processed out of local raw materials.

The argument continued. The estancieros and free-trade interests were supported by those who opposed state intervention on principle and

maintained that industry would only flourish when it was qualified to do so, and that national manufactures which could not compete in price and quality with foreign imports were not worth protecting. Pedro de Angelis, one of the more enlightened spokesmen of the Rosas regime, strongly attacked the idea of giving protection to the provincial wine industry and the porteño shoe industry, on the grounds that protection would raise prices for the mass of consumers, and divert to industry labourers who would be better employed in the agrarian sector. Nevertheless, concern for the adverse balance of payments, if not for industrial labour, was sufficient to keep the protectionist lobby alive and the government interested. The hat industry and the growing leather manufactures were among the more prominent groups demanding protection against the influx of foreign imports. Others spoke for native artisans against the presence of foreign personnel within the capital. An artisan writing in 1832 argued that foreign manufacturing establishments in Buenos Aires were favoured by their exemption from military service: "While a native of the country has to serve in person or pay a substitute for himself and his employees, a foreigner and his workers (who are usually of his own nation) can continue operating without interruption."<sup>2</sup>

In due course Rosas accepted the case for protection, and in the *ley de aduana* of December 1835 he introduced higher import duties. From a basic duty of 17 per cent, the tariff moved upwards, giving greater protection to more vulnerable products, until it reached a point of prohibiting the import of a large number of articles such as textiles, hardware and, under certain conditions, wheat. The policy of 1835 was new in that it sought to give positive protection to arable agriculture and the manufacturing industries.

Rosas did not explain his action in any detail. We do not know his thoughts concerning local industry or the possibility of national self-sufficiency. Was he really convinced that his regime could decrease its dependence on foreign imports, resist foreign competition, and tolerate the higher living costs? There is no clear answer to these questions, and historians have been forced to speculate. Miron Burgin has argued that Rosas was moved by concern for "the welfare of the middle classes", and that it would have been "politically dangerous" to resist these interests (Burgin 1946: 237, 240, 242, 263-264). According to this interpretation,

2 Mariluz Urquijo (1969: 85-87), quoting *Diario de la Tarde* (Buenos Aires, Jan. 14, 1832).

the federalist party was losing ground in the mid-1830s and needed to widen its social base. But there appeared to be no reason why, in 1835-36, Rosas required the support of popular or middle groups; the regime was based firmly on the *estancieros*, who remained its closest allies. The objectives of Rosas seem to have been to sustain the existing economic structure, while protecting those minority groups who suffered most from it, the industrial and farming sectors.

The Message of Rosas to the House of Representatives in December 1835 gave some indication of his motives:

Agriculture and the growing manufacturing industry of the country have long suffered from the absence of protection. And the middle class of our country, unable for lack of capital to participate in the livestock industry, have been deprived of that incentive to work which is normally stimulated by concern to provide for the future and for one's children. The government has taken this fact into consideration, noting that foreign agriculture and industry thwart these legitimate aspirations without however bringing noticeable improvements in make or quality (*Mensajes Buenos Aires* 1976, I: 95).

At the same time the law had a strong inter-provincial content; it was designed to make the federalist policy credible by giving protection to the provinces as well as to Buenos Aires. Consequently Rosas had to explain away the 20 per cent import duty on cigars, which hit the *Corrientes* cigar trade to Buenos Aires. He wrote to the the governor of *Corrientes* pointing out that he had to protect his own people: "As for the question of cigars, I had in mind the powerful consideration that in this province there are many poor women who live from this type of industry."<sup>3</sup> But he went on to argue that there were compensating factors in other parts of the tariff, favouring the provinces against Buenos Aires; an example was the prohibition of the import of foreign ponchos which were notoriously cheaper to the *porteño* consumer than the more expensive protected article manufactured in the provinces. Subsequently, after the tariff had been amended upwards, Rosas claimed in his Message of January 1837:

The changes made in the customs law in favour of agriculture and industry have begun to have a good effect [...] The artisan workshops have employment for young people, who under the vigilance of the police have ceased to disturb streets and thoroughfares, and one should hope that the prosperity of these classes will increase the import of the numerous articles of foreign industry which have not been prohibited or charged with extra duties. In fact foreign trade grows perceptibly (*Mensajes Buenos Aires* 1976, I: 113).

3 Rosas to Atienza, July 20, 1836 in Levene (1939-50, VII. 2: 182).

Again he explained that protection was designed not only for Buenos Aires but also for the provinces. But perhaps the most interesting part of his speech was the argument that revival of artisan industries would increase employment and spending power among the popular sectors, which in turn would improve the demand for foreign imports, or those not impeded by protection, and thus benefit international trade. Rosas thus offered the benefits of protection and free trade simultaneously. But what was the real situation?

The consequences of the protective tariff of 1835 have been much debated. Some critics in the industrial sector immediately claimed that the protection given was not sufficient. Shoemakers, who were among the most numerous artisans of Buenos Aires, argued in 1836 that the 35 per cent import duty imposed by the new law did not give adequate protection, and that they needed outright prohibition of foreign imports if they were to survive. They probably exaggerated: while there was certainly severe competition at the top of the market, Buenos Aires was in fact exporting footwear to other provinces. Arguments from the industrial sector did not impress the government. On the whole subject of protection Rosas himself had second thoughts. In 1838 import duties were reduced by one-third in order to minimise the effects of the French blockade. Then, claiming the need to procure new revenues and pointing to the shortage of certain articles, Rosas decided (31 December 1841) to allow the entry of a large list of goods previously prohibited. The argument for free trade, in other words, seemed to have been vindicated: national production had not responded to protection, the tariff had merely caused shortages and high prices, and the principal victims were the consumers and the treasury.

Rosas lost faith in protection, not without reason. Protection meant in effect giving artificial respiration to the weakest sector of the economy, while strangling the stronger. Very few Argentine producers or consumers would have thanked him for that. The bias towards a livestock-export economy reflected the social structure as well as economic conditions. The upper groups preferred imported manufactures, while the rest of the population did not form a consumer market for national industries. There were few freedoms in Buenos Aires under Rosas, but free trade was one of them.

The Buenos Aires of Rosas rested upon a primitive economy. Cattle-raising required relatively low investments in land and technology, and, if practised on an extensive scale in large units capable of dealing with fluctuating export markets, it yielded very high profits. Investments had to

be concentrated in cattle; therefore abundant, cheap, and secure land was required, and this the regime provided. But cattle-raising gave a limited range of exports, mainly hides and jerked beef, for which international demand was not likely to grow. The market for hides was far from dynamic, even when continental Europe began to supplement Great Britain; and the demand for salted beef, limited to the slave economies of Brazil and Cuba, was more likely to contract than expand. The Rosas economy, therefore, faced present stagnation and future decline.

Meanwhile, by the mid-1840s, the balance within the Confederation was no longer so overwhelmingly in favour of Buenos Aires. From 1843 the littoral provinces made the most of the peace which they enjoyed while Rosas continued to fight over Uruguay. Cattle resources multiplied: Entre Ríos, with six million cattle, two million sheep and seventeen *salaraderos*, was a new economic power. Competition was not yet critical: exports of jerked beef from Entre Ríos were still only 10 per cent those of Buenos Aires. But there were political implications. The estancieros of Entre Ríos and Corrientes, profiting to some extent from the blockade of Buenos Aires, were not prepared to endure for ever the monopoly of trade and navigation enjoyed by the porteños. To respond to these challenges, the economy of Buenos Aires needed diversification and improvement. These came in the form of an alternative activity. Sheep farming had already begun to threaten the dominance of the cattle estancia. It was through the export of wool that Buenos Aires would expand its links with the world economy, diversify its production, and greatly enlarge its capital accumulation. From the economic point of view Rosas became an anachronism, a legacy from another age.

The "merinization" of Buenos Aires, the rise of a large sheep and wool economy, began in the 1840s and was accompanied by a scramble for new land. The external stimulus was the expansion of the European textile industry, which provided a secure export market. Internal conditions were also favourable, consisting of good soil and a creole sheep stock capable of improvement by mixing with merino imports. In the early years of Independence estancieros showed little interest in improving breeds of sheep. It was left to a few Englishmen, John Harratt and Peter Sheridan in particular, to show the way; from the 1820s they began to purchase Spanish merinos, to preserve and refine the improved breeds, and to export from Buenos Aires to Liverpool, encouraged by the almost total abolition of import duties on the article in England. The growing interest in sheep breeding led to a new demand for labour. The gaucho was gradually replaced by the shepherd. Immigrant settlers arrived in



Buenos Aires, either as hired labourers or as partners in profit-sharing schemes or as tenant farmers. Irish immigrants were particularly welcome as shepherds, but Basques and Galicians also came, and some of them soon bought their own estates. On the pampas between Buenos Aires and the River Salado sheep were beginning to drive cattle from the land; from the 1840s estancia after estancia passed into the hands of the sheep farmers. In 1810 the province had a stock of 2-3 million sheep, but these were of poor quality and occupied marginal lands. By 1852 the number had grown to 15 million head, and in 1865 to 40 million (Chiaromonte 1971: 62-64; Korol and Sábato 1981: 69-79). Wool exports increased from 333.7 tons in 1829, to 1,609.6 tons in 1840, to 7,681 tons in 1850; they then accelerated to 17,316.9 tons in 1860, 65,704.2 tons in 1870. In 1822 wool represented 0.94 per cent of the total value of exports from Buenos Aires, cattle hides 64.86 per cent; in 1836, 7.6 per cent and 68.4 per cent respectively; in 1851, 10.3 per cent and 64.9 per cent; in 1861, 35.9 per cent and 33.5 per cent; in 1865, 46.2 per cent and 27.2 per cent.

Buenos Aires now became a wool port, exporting to the textile factories of Britain, Belgium and France; Argentina became the chief supplier of French and Belgian manufacturers. The hegemony of the cattle estancia and the traditional foreign merchants was now challenged by an alternative economy and a different mode of foreign trade. Overseas markets continued to provide the demand, but national social groups made the economic decisions. The link between wool producers and the market was provided by a complex system of commercial networks, largely replacing old trading methods (Sábato 1983). Local interests profited from this new diversification of the market, and competition among foreign buyers reduced foreign control. In 1852 Argentina stood at the threshold of a new stage of growth.